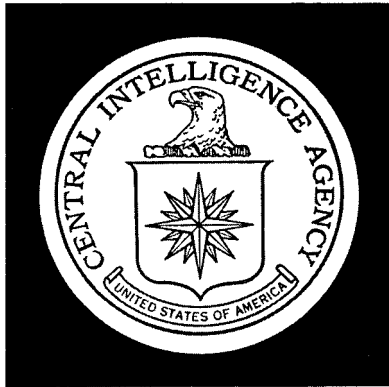


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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

USAID rel instructions on file

The Situation in South Vietnam (Weekly)

Secret

144

24 July 1967

No. 0360/67

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(17 July - 23 July 1967)

C O N T E N T S

Section

POLITICAL SITUATION

I



REVOLUTIONARY DEVELOPMENT

II



ECONOMIC SITUATION

III

Prices; Currency and gold; Rice and
politics.

ANNEX: Weekly Retail Prices in Saigon (table)
Saigon Free Market Gold and Currency Prices (graph)

I. POLITICAL SITUATION

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Assembly Approves 11 Presidential Slates

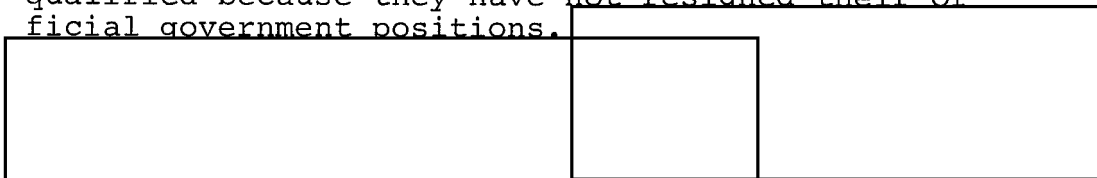
1. Following a full day of debate on 18 July, the Provisional National Assembly disregarded the recommendations of its special committee on elections and voted to approve the Thieu-Ky presidential ticket. In the same session, it disqualified retired General Duong Van Minh--again contrary to the special committee's recommendations--because his running mate had once held French citizenship. The assembly also eliminated six other tickets.

2. In a show of antigovernment sentiment apparently not actually intended to influence the assembly's final decision, the special committee had recommended on 17 July

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that Chief of State Thieu and Premier Ky be disqualified because they have not resigned their official government positions.



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3. Eleven candidates of the original 18 now remain in the race. These include General Thieu and civilians Tran Van Huong, Phan Khac Suu, Ha Thuc Ky, Pham Huy Co, Tran Van Ly, Nguyen Hoa Hiep, Hoang Co Bhin, Truong Dinh Dzu, Vu Hong Khanh, and Nguyen Dinh Quat. With Minh now out of the race, Thieu, Huong, and Suu emerge as the major contenders. The consequences of Minh's removal are not yet clear; if he should throw his weight behind Huong, that ticket might attract even greater support than at present from among the militant Buddhists, southerners, and perhaps a portion of the military. On the other hand, should Minh's backers or the militant Buddhists choose to do so, they could probably promote some public protest against present election procedures.

Thieu-Ky Campaign Apparatus

4. Chief of State Thieu and Premier Ky have apparently agreed on the establishment of a joint campaign organization to support their presidential ticket, although advisers of both men tell different stories as to the specifics of the organization. According to an account given by Thieu adviser Nguyen Van Huong, he and Social Welfare Minister Nguyen Xuan Phong--Ky's former campaign manager--will have direct campaign responsibility, but for form's sake, a chairman and deputy chairman of the campaign committee have been designated. These are, respectively, Ky's former running mate Nguyen Van Loc and Nguyen Van Ngan, a civil servant assigned to the Chief of State's office. During several meetings of Thieu's and Ky's campaign representatives between 5 and 15 July, according to Huong, little was accomplished and Phong was often unable to get his Ky men to attend. Huong did indicate, however, that a number of leading committee positions had been filled.

5. Phong himself, in a separate account, said that he and Thieu alone had worked out the framework of the organization in only two meetings, on 1 and 13 July, and that Muoi Le, also known as Muoi Huong--who may or may not be Nguyen Van Huong--would be Thieu's personal representative in the organization. Phong made no mention of the figurehead chairman and deputy chairman that Huong described, and also outlined a committee organization that differs in many essentials from the one reported by Huong. Although both men indicated that the committee would be composed of a combination of Thieu and Ky men, Phong said that the impression will be conveyed that Thieu is the principal power on the ticket while Ky's men will actually organize the campaign.

6. Both men insisted that the campaign will be entirely legal. According to Phong, inasmuch as the Thieu-Ky ticket is a government slate, civil servants will be asked simply to praise the government's performance during the last two years. Huong carried this a step further, claiming that the provincial campaign organization recruited from government employees by Ky's former campaign managers will be augmented by local nongovernment persons.

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8. The convention will be asked to approve three upper house slates, each a mixture of Cao Dai, Hoa Hao, VNQDD, and UYD members, and will decide on lower house candidates to support. Front leaders have been considering asking Vietnamese Confederation of Labor President

Tran Quoc Buu, as well as retired General Tran Van Don and Saigon politician Dang Van Sung, to join the front, but no decision has yet been made.

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Senate Election

12. Twelve upper house slates were disqualified by the central election council before the final posting

on 21 July, leaving a total of 48 lists of ten candidates each for the electorate to choose from on 3 September. The only notable slates removed by the council were two associated with the militant Buddhists and one representing the Vietnamese Confederation of Labor (CVT).

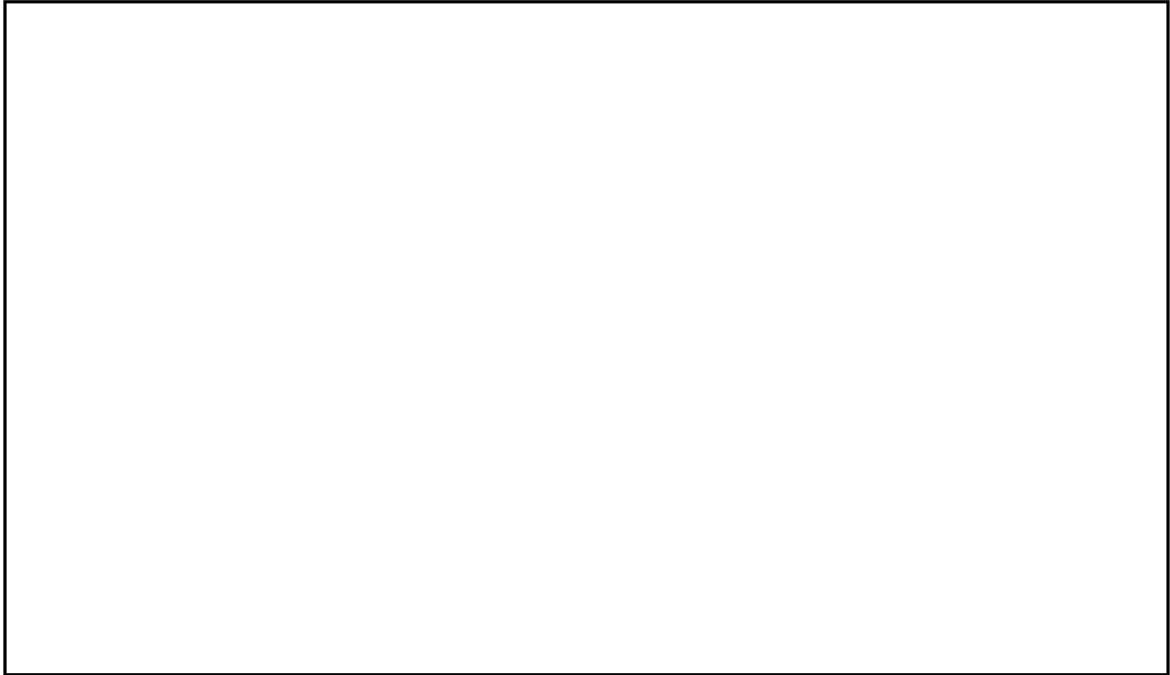
13. The leader of one of the disqualified Buddhist tickets, Dr. Nguyen Duy Tai, the erstwhile physician to militant bonze Thich Tri Quang, has petitioned the Provisional National Assembly to appeal the council's "impartial and dictatorial" decision. Dr. Tai's slate was reportedly disqualified on "neutralist" grounds similar to those used to remove "peace" candidate Au Truong Thanh from the presidential race. In contrast to the system of reviewing the credentials of the presidential candidates, however, the assembly is not scheduled to take any final action on the senate lists.

14. According to the US Embassy, about 18 of the eligible 48 slates can be singled out as being more important than the remaining 30. They represent nearly every political and religious group of significance as well as the leading presidential candidates. The 18 are composed of civilian members of the Directorate, members of the assembly, representatives on the Peoples-Army Council, and the plethora of professional Saigon politicians. Both Chief of State Thieu and Premier Ky will reportedly back some of the slates--probably publicly--during the campaign, in hopes of carrying them into office. In the embassy's opinion, the outcome of the senate contest will probably depend upon each slate's organizational support, its association with a leading presidential candidate, and the degree to which the public recognizes familiar names among the 480 candidates.

Lower House Election

15. During a meeting on 20 July, the joint civilian-military Directorate decided to recommend to the assembly that the present 5 November election date for the lower house be changed to 22 October in order to have a complete national assembly before the 1 November anniversary of the overthrow of Ngo Dinh Diem. Assembly chairman Phan Khac Suu told a US Embassy officer that he would not object to a date

change. A majority of the Directorate also agreed that candidates who are defeated in the senatorial elections should be allowed to compete for the approximately 130 seats in the lower house.

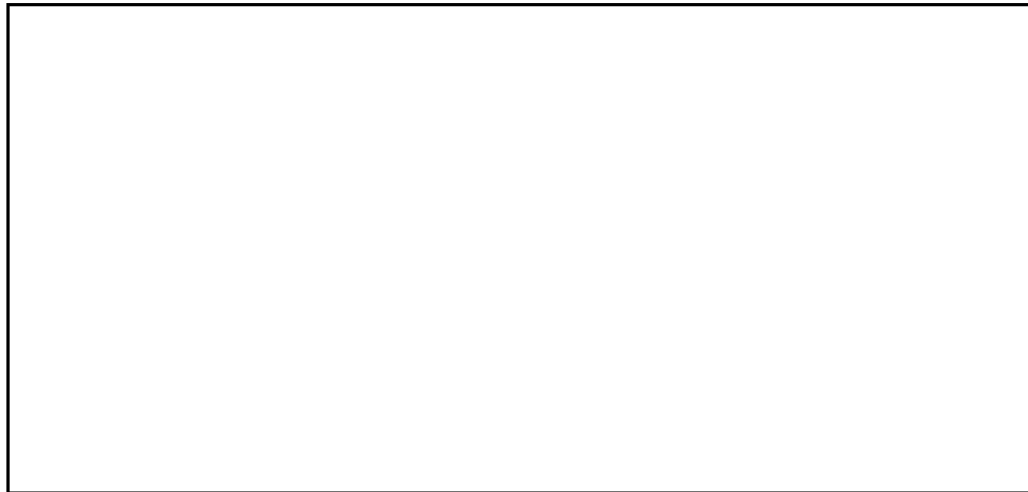


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II. REVOLUTIONARY DEVELOPMENT



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Repercussions of Forthcoming Elections on Revolutionary Development

1. US advisers have reported a noticeable slowing down of the day-to-day functions of government throughout South Vietnam. This has been particularly acute in offices or ministries in which personnel have declared themselves candidates for the upcoming elections and, as a consequence, have let their official duties come to a practical standstill. At least eight of the 16 chiefs in the health service have declared as candidates and the health service has almost ceased to function. The office of the mayor of Saigon is similarly affected.

2. In a recent conference on self-help funding, Lieutenant Colonel Pham Van Huong, the chief of rural affairs in the Ministry of Revolutionary Development, discussed new changes in the number of authorized funded projects in several provinces and the corresponding changes in the budget for self-help. When queried as to why funded projects had made such slow progress and why the disbursement of self-help funds had been held back, Huong replied that the local governments have been too concerned with the elections; however, Huong was hopeful of better progress during the rest of 1967--"especially after September."

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Training for Local Government Development

3. Although progress in Revolutionary Development (RD) in 1967 appears extremely slow, RD minister General Thang had commented in February of this year that the principal objectives of the 1967 RD program were to make certain that the village/hamlet elections and the national elections were properly conducted, to ensure that the locally elected administrations would be trained and able to function, and, thirdly, to concentrate remaining resources on the construction of the Ap Doi Moi, or "Real New Life Hamlets." The Vietnamese Government has held to this policy and accredited itself rather well in at least the first two RD objectives.

4. The nationwide program for the training of elected hamlet and village officials was initiated in April, even before the first phase of local elections was completed, and has continued to expand. As of 15 June, 34 of the 44 provinces in the country had conducted at least one two-week course for village administrative committee members, and ten of the 34 provinces had also conducted four-day seminars for village council members. By mid-July, 3,350 officials had received the two-week training course and 1,083 councilmen had participated in the four-day seminars.

5. The first training program for metropolitan local officials was completed in early June by the Prefecture of Saigon. With the support of the Asia Foundation and the active leadership of the deputy mayor for administration, the city's training directorate provided 100 hours of instruction--on a three-month part-time basis--for 92 canton chiefs and their assistants.

6. At the request of the RD cadre section of CORDS, USAID dispatched a training team to the RD cadre national training center at Vung Tau to help improve the instructional techniques of the Vietnamese staff. The USAID team--from the Public Administration Division's Vietnamese training staff--has been responsible for much of the excellent instructor training in the hamlet/village program.

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7. The recent assignment of the first public administration training adviser to IV Corps has already brought some positive results there. In I and III Corps, advisers have also found that by paying more attention to proper training of Vietnamese officials, the programs have started to improve. A number of provincial CORDS representatives are also emphasizing field technical assistance in training. In the priority province of An Giang, a pilot program of leadership training for village administrative committee chairmen has been started to overcome what US advisers in general feel to be inadequate attention to the art of leadership in standard provincial training courses.

8. Despite some progress, local officials are not yet being trained as fast as is desirable. It is presently estimated that about one third of the country's administrative committee members and one half of the village council members will receive some training in 1967. Training programs will probably be gradually accelerated, but will not be pushed beyond the point at which reasonable standards of quality can be maintained. Although the quality of the Vietnamese training techniques is not yet good, there have been significant improvements when compared to past years. US advisers have been successful in encouraging less reliance on the traditional lecturing method and more on utilization of communicative and participative methods of instruction.

9. At the Special Commissariat for Administration and at the National Institute of Administration, progress in the institutional development of local government is proceeding slowly. Interchange and coordination among individuals and programs are still too limited and too haphazard, however. Now that a program for the training of local officials has been accepted and is being implemented by the Vietnamese, there are chances that the government will recognize and meet a further need for properly trained district and province chiefs, for trained provincial staffs to carry out the ministerial programs, for a revision of civil service structure, and for the development of managerial and supervisory skills at all administrative levels.

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Replacement of Pleiku Montagnard Training Center
Commander

10. In late May, II Corps commander General Vinh Loc, who has continued to exert strong control over montagnard affairs, named Major Khong Duc Phien to replace Major Reom Hin as commander of the Pleiku Montagnard Training Center (PMTC). The PMTC--which trains Truong Son cadre to do RD work in the highlands--is organizationally subordinate to the Special Commissariat for Highlander Affairs (SCHA), and SCHA commissioner Paul Nur theoretically appoints the commander of the center and directs its over-all activities. Over the past year, however, General Loc has increasingly established himself as the principal government official in dealing with the highlanders and now seems to make most of the decisions affecting government-montagnard affairs.

11. In February 1967, when the position of commander of the PMTC first became vacant, Paul Nur wanted to appoint Phien--who at that time was the head of the SCHA regional office in Pleiku. Vinh Loc--who believed Phien to be incompetent--pressured Nur into appointing Reom Hin, Loc's choice at the time. Almost without exception, highlanders and US officials who have worked with Hin, either before or during his command of the PMTC, have praised him for his sincerity and ability.

12. In April 1967, General Loc decided to use the PMTC students to support the Edap Enang project, a major highlander resettlement program under which some 7,500 tribesmen--primarily Jarai--are being evacuated from the Cambodian border area of Pleiku Province and relocated in new villages along Route 19. Hin objected to using PMTC students in this role on the grounds that they were still untrained recruits and that the training schedule of the center would be disrupted. Loc convinced Nur to circumvent normal command channels--apparently to avoid repercussions from US advisory circles--and ordered Hin to comply. Hin began to send 200 students per week, on a rotating basis, to work in the resettlement program.

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13. In early May, Loc decided that he wanted the entire PMTC student body to stay in Pleiku for one month after its graduation on 20 May for further work on Edap Enang. Hin again expressed the same views as he had in April and reminded Loc that he took orders from the SCHa. Shortly thereafter, Loc, through Nur and his deputy, Ton That Cu, had Hin removed as the PMTC commander and the students were ordered to remain in Pleiku. Once again, the US advisers to the SCHa and to the PMTC were not informed of what was taking place.

14. On 16 May, Phien replaced Hin as commander of the PMTC and General Loc invited two senior US officials--who were not aware of the background of the event--to sit on the podium with him during the change of command ceremony. The presence of the US officials gave the Vietnamese and highlanders the erroneous impression that the US approved of Hin's removal and may have had the effect of further reducing the effectiveness of the US advisers in the SCHa and Truong Son cadre programs.

"National Solidarity" Program

15. In view of the upcoming national elections and of the narrow interpretation of the "National Reconciliation" concept by senior Vietnamese officials, little if any progress appears to have been made in the implementation of the Doan Ket, or "National Solidarity" program. Despite constant US prodding, the very choice of the Vietnamese title--meaning "solidarity" instead of "reconciliation"--reflects the apprehension of the Vietnamese leadership in regard to this program.

16. According to available information, there have been no returnees under the auspices of Doan Ket, nor has the number of Communist officer-level cadre rallying increased since Doan Ket was proclaimed in late April. In the past, many other US-conceived programs, which lacked genuine official Vietnamese support, "withered on the vine." Moreover, a large proportion of the present leadership

of the South Vietnamese Government is of northern extraction and some of these individuals may sense a threat to their positions should a significant number of high-level, qualified, ethnic southern Communist cadres begin to rally.

17. The government in recent weeks has nevertheless increased its promotional efforts with regard to Doan Ket. Officials in the Ministry of Information and Chieu Hoi (MICH) have briefed audiences of civil servants and military officials around the country, and MICH and JUSPAO have printed a number of leaflets and posters to publicize the campaign. With the start of the campaigning for the presidential elections a scant two weeks away, there have been no indications as to what degree the Doan Ket theme will be included in the election platforms of the various slates, if included at all. US officials feel, however, that the ultimate success of the Doan Ket is closely related to the evolutionary political processes currently under way in Vietnam and that, if the upcoming elections are conducted in a manner acceptable to a broad base of the people, the likelihood of discontented southern Communist elements rallying will increase substantially.

Third-Country Assistance

18. In recent talks held between representatives of the US and the Federal Republic of Germany (FRG), FRG officials indicated that because of the high costs of operating the hospital ship Helgoland, plans are being made for the eventual withdrawal of the ship from Vietnam. US officials feel, however, that the FRG is amenable to the establishment of a shore-based medical facility which would accomplish the same objectives and be easier and more economical to maintain. FRG officials also indicated that the Helgoland would not be removed until another similar facility was functioning.

19. The Germans expressed their interest in shifting aid from an ad hoc basis to longer range programs that stress technical and social assistance. This might include such programs as equipping hospitals, establishing vocational training centers, and training Vietnamese so that they could ultimately take over such facilities. It is expected that German aid to Vietnam will probably continue at about the present level of \$7.5 million a year.

20. The Republic of Korea (ROK) troop ceiling in Vietnam is to be increased by close to 3,000 personnel, the bulk of whom will be destined for the ROK Marine Corps Brigade. By the terms of the recent US-ROK agreement, all equipment and costs resulting from this augmentation will be fully reimbursed by the US.

21. The US Mission recently announced that 44 US and free world medical teams are operating in 42 of the 44 provinces of South Vietnam and, in addition, that 22 international voluntary agencies had about 400 persons assisting the Vietnamese in the fields of health, social affairs, and agriculture.

III. ECONOMIC SITUATION

Retail prices in Saigon declined less than one percent during the week ending 10 July after rising sharply the previous week. Currency and gold prices were mixed on 10 July. There apparently will be increasing political interference in economic matters as the presidential elections approach.

Prices

1. The USAID retail price index for Saigon declined less than one percent during the week ending 10 July after rising sharply the previous week. The prices of all protein foods, except pork, declined somewhat, more than offsetting increases in some vegetable prices. All other food prices were unchanged. Prices of nonfood items were generally stable except for slight declines in the prices of fuels and calico. The embassy noted that the sharp increase in bus fares during the week ending 3 July resulted from a general readjustment of rates by the Saigon Bus Company. (A table of weekly retail prices in Saigon is included in the Annex.)

2. Wholesale prices of selected US-financed imports rose about one percent during the week ending 11 July, halting the sharp decline of the two previous weeks. Condensed milk prices increased because stocks were reduced as a result of the GVN's purchase of stocks on hand since the third quarter of 1966 for distribution to servicemen and families, welfare agencies, charitable institutions, and refugees. The price of cement also rose after declining for three weeks in succession.

III-1

Currency and Gold

3. Free market currency and gold prices were mixed on 10 July. The price of dollars was unchanged from 3 July at 154 piasters per dollar. The price of gold rose two piasters to 194 piasters per dollar. The rate for MPC (scrip), on the other hand, declined one piaster to 110 piasters per dollar. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

Rice and Politics

4. There apparently will be increasing political interference in economic matters as the presidential elections approach. According to an embassy report, Governor Hanh of the Bank of Vietnam--the minister of economy and finance--is under pressure, apparently from the Ministry of Commerce and the Office of Supply, but also from Ky, to lower the price of rice by any means available. Hanh reportedly instructed his deputy, Pham Kim Ngoc, to lower the wholesale selling price of GVN stocks of domestic rice. Ngoc, however, was able to persuade Hanh to abandon this idea, at least temporarily, by arguing that this action would disrupt the retail market and adversely affect this year's rice crop. According to Ngoc, merchants from the eastern provinces will henceforth be free to buy rice in any quantity from government stocks, and even at the present price the government supply will not satisfy all the demand. Noting that demand from these provinces averages about 13,000 metric tons a month and that some of this may have to be purchased on the open market, he said that the price of domestic rice on the open market probably would soon rise above the government selling price.

5. Ngoc also won Hanh's agreement to cease direct sales of Thai rice to retailers by the Office of Supply, which is notorious for its corruption. He apparently has persuaded some commercial banks to finance wholesalers' stocks with the intention of re-establishing normal wholesaler-retailer relationships.

III-2

6. US officials are pleased with Ngoc's strong stand and feel that a bad situation has been headed off. They believe the rice situation would be substantially improved if prices could be reordered, mainly by increasing the price of American rice somewhat, and if the GVN's direct role in rice wholesaling could be reduced.

TABLE

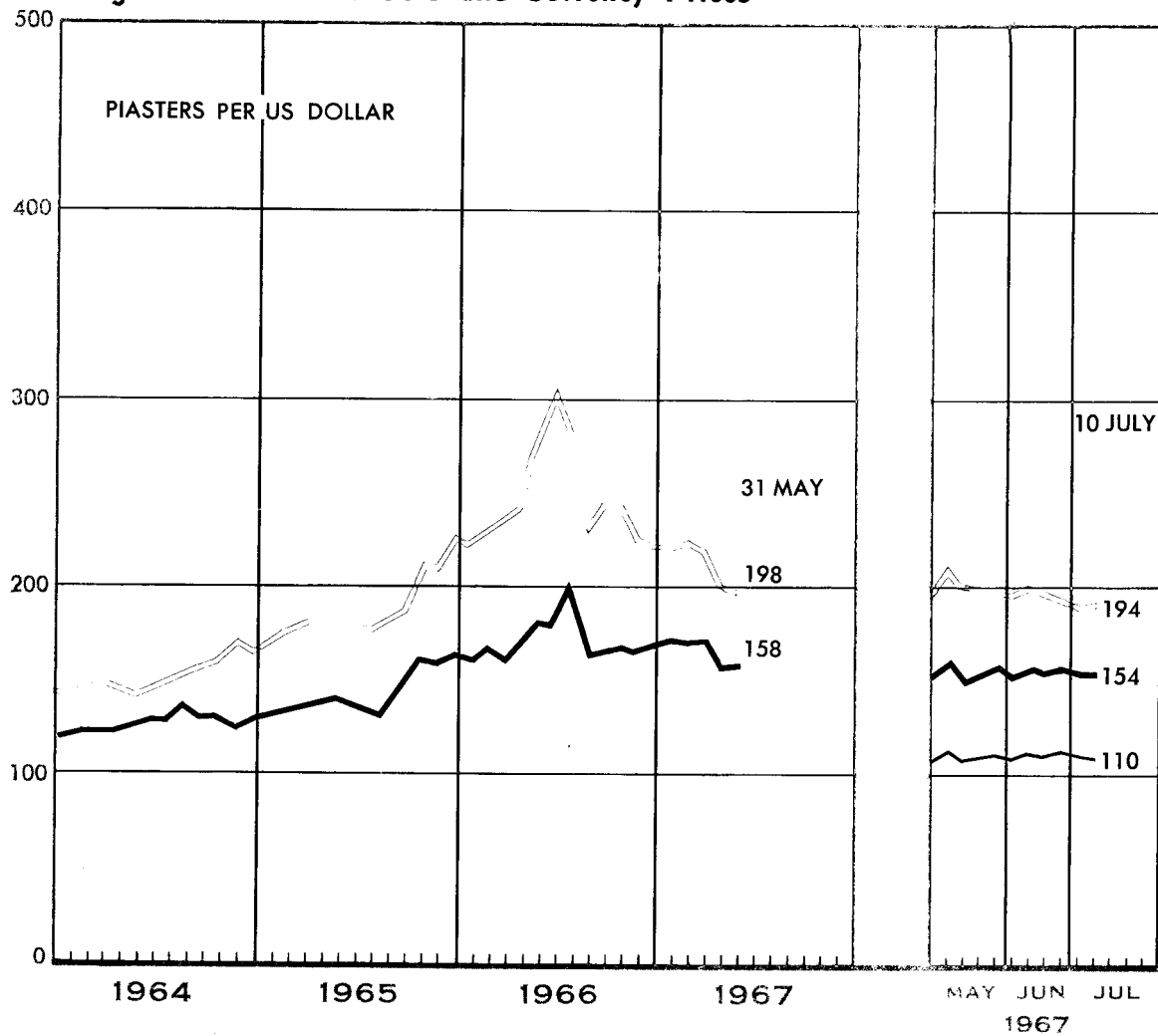
Weekly Retail Prices in Saigon a/

	13 June 1966 <u>b/</u>	3 Jan. 1967	19 June 1967	26 June 1967	3 July 1967	10 July 1967
Index for All Items	<u>173</u>	<u>225</u>	<u>267</u>	<u>267</u>	<u>280</u>	<u>278</u>
Index for Food Items	<u>190</u>	<u>242</u>	<u>293</u>	<u>293</u>	<u>314</u>	<u>312</u>
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,700	2,400	2,400	2,500	2,500
Pork Bellies (1 kg.)	90	130	170	150	180	180
Fish-Ca Tre (1 kg.)	130	150	160	180	200	190
Nuoc Mam (jar)	70	90	150	150	150	150
Index for Nonfood Items	<u>140</u>	<u>195</u>	<u>219</u>	<u>217</u>	<u>218</u>	<u>215</u>
Of Which: (In Piasters)						
Firewood (cu. meter)	360	560	550	540	520	500
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	33	34	33	33	32
Kerosene (liter)	7.8	10.5	10	10	10	10

a. Data are from USAID sources. For all indexes 1 January 1965 = 100.

b. Price level just prior to the 18 June devaluation.

Saigon Free Market Gold and Currency Prices



GOLD: Basis gold leaf worth \$35 per troy ounce
 — US \$10 GREEN
 — US \$10 MPC Military Payment Certificates (scrip).

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